

# JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

## PRESS RELEASE

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### CAUTION URGED IN USE OF TAX DISTRIBUTION STATISTICS – Incomplete Release of Data Provides Misleading Results –

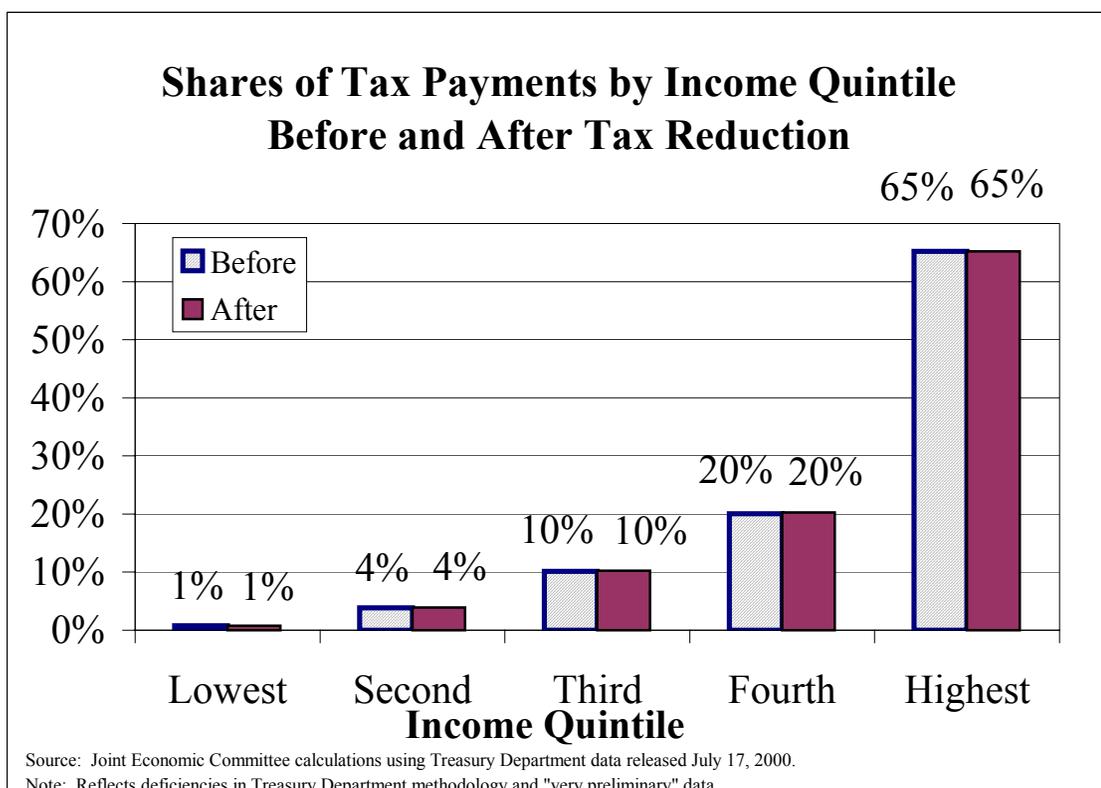
WASHINGTON, D.C. – The incomplete releases of tax distribution data often made in tax policy debates are inherently misleading, Chairman Jim Saxton of the Joint Economic Committee (JEC) warned today. If one is to use tax distribution statistics, the most crucial information relates to the shares of taxes paid by various groups before and after a tax change takes effect. This information about the shares of taxes borne by each group provides the appropriate context for evaluating various distributional claims, yet is often withheld by various special interest and advocacy groups.

For example, the shares of taxes paid by various groups were essentially unchanged by most of the tax bills in recent years, but incomplete releases of data were selectively used by opponents to suggest that such legislation was skewed to disproportionately benefit the affluent. In reality, as Saxton recently pointed out last October 24<sup>th</sup>, it is primarily the skewed pattern of existing tax payments that drives the outcomes of tax distribution tables, not the tax rate structure of the proposed legislation itself.

“Good public policy cannot be based on incomplete and misleading information,” Saxton said. “Opponents of broad tax relief often have chosen to release a small slice of data portraying the effects of tax reduction as skewed. At the same time, they have chosen to withhold closely related data that show that tax reduction will not change the shares of total taxes paid by each income group. The level of total taxes is estimated to change, but the relative share paid by each income group would remain unchanged.

“In reality, the shares of taxes paid by each income group will probably not change significantly under the President’s proposal, or any tax bill likely to be passed by the Congress. This can be illustrated by one concrete example. In 2000, the Clinton Treasury Department released data indicating that a tax reduction proposal then under consideration in Congress was skewed, but the JEC staff reconstructed the data to produce what was not disclosed: the proportion of taxes paid by each income fifth would in fact be unchanged.

“For example, the top fifth paid 65 percent of federal taxes before the tax relief legislation, and would pay 65 percent of total taxes after this legislation took effect. The bottom fifth paid one percent of total taxes before the tax relief bills, and one percent after. Tax relief is provided, but the shares of taxes paid under tax relief are unchanged for each income group. The failure to disclose this information is very misleading and raises serious questions about the propriety of withholding this information from the public,” Saxton concluded.



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